

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 7018

BILL NUMBER: HB 1126

NOTE PREPARED: Mar 12, 2012

BILL AMENDED: Mar 9, 2012

SUBJECT: Water and Wastewater Issues.

FIRST AUTHOR: Rep. Frizzell

FIRST SPONSOR: Sen. Merritt

BILL STATUS: Enrolled

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that: (1) a municipality that operates a water, wastewater, or combined water and wastewater utility; or (2) users of the utility's works whose property is located outside the corporate boundaries of the municipality; may petition the Indiana Utility Regulatory Commission (IURC) under certain circumstances for review and revision of the rates and charges imposed by ordinance on the users. The bill requires the IURC to prescribe the form and content of the petition. The bill provides that a petition is dismissed and the underlying ordinance takes effect if the IURC does not approve or disapprove the petition within 120 days. The bill authorizes the IURC to adopt rules. It provides that certain requirements for trustees of a regional sewage district apply only to a district established in response to an agreed order entered into after December 31, 1982.

Effective Date: Upon passage; July 1, 2012.

Explanation of State Expenditures: The IURC may experience increased administrative costs as a result of this bill, but the provisions should be able to be accomplished within existing resources. This bill provides that: (1) a municipality that operates a water, wastewater, or combined water and wastewater utility; or (2) users of the utility's works whose property is located outside the corporate boundaries of the municipality; may petition the IURC under certain circumstances for review and revision of the rates and charges imposed by ordinance on the users.

The IURC will have to prescribe a petition form, and depending on the extent to which petitions occur as a result of this bill, will have to review and revise rates and charges as necessary.

The bill establishes two scenarios under which a municipality or users can petition the IURC to review extraterritorial water or wastewater rates and charges:

1. For a municipality that imposes extraterritorial rates that exceed municipal rates by more than 15% but not more than 50%;
2. For all other municipalities, extraterritorial rates and charges that exceed municipal rates and charges by more than 15%.

Explanation of State Revenues: To the extent that petitions for revisions of rates and charges are approved by the IURC, there could be a change in Utility Receipts Tax (URT), Utility Services Use Tax (USUT), and Sales Tax revenues. This impact is indeterminable.

Background: The rate for both the URT and USUT is 1.4%. The URT is calculated on the gross receipts of all entities providing the retail sale of utility services in Indiana. The USUT is imposed on the retail consumption of utility services in Indiana. Both the URT and USUT are deposited in the state General Fund.

Sales Tax revenue is deposited in the state General Fund (99.848%), the Commuter Rail Service Fund (0.123%), and the Industrial Rail Service Fund (0.029%).

Explanation of Local Expenditures:

Explanation of Local Revenues: Municipalities may need to review and seek revision of water and wastewater utility rates and charges.

State Agencies Affected: IURC.

Local Agencies Affected: Municipalities.

Information Sources:

Fiscal Analyst: Diana Agidi, 317-232-9867.